BELLSOUTH TELECOMMUNICATIONS, INC.

DIRECT TESTIMONY OF JOHN A. RUSCILLI

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2000-527-C

DECEMBER 21, 2000

Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR BUSINESS ADDRESS.

A. My name is John A. Ruscilli. I am employed by BellSouth as Senior Director for State Regulatory for the nine-state BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE.

A. I attended the University of Alabama in Birmingham where I earned a Bachelor of Science Degree in 1979 and a Master of Business Administration in 1982. After graduation I began employment with South Central Bell as an Account Executive in Marketing, transferring to AT&T in 1983. I joined BellSouth in late 1984 as an analyst in Market Research, and in late 1985 moved into the Pricing and Economics organization with various responsibilities for business case analysis, tariffing, demand analysis and price regulation. I served as a subject matter expert on ISDN tariffing in various

commission and public service commission staff meetings in Tennessee, Florida, North Carolina and Georgia. I later moved into the State Regulatory and External Affairs organization with responsibility for implementing both state price regulation requirements and the provisions of the Telecommunications Act of 1996, through arbitration and 271 hearing support. In July 1997, I became Director of Regulatory and Legislative Affairs for BellSouth Long Distance, Inc., with responsibilities that included obtaining the necessary certificates of public convenience and necessity, testifying, Federal Communications Commission ("FCC") and PSC support, federal and state compliance reporting and tariffing for all 50 states and the FCC. I assumed my current position in July 2000.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to present BellSouth's position on the issues that AT&T Communications of the Southern States, Inc. ("AT&T") is requesting the Public Service Commission of South Carolina ("Commission") to arbitrate. On October 18, 2000, AT&T filed with the Commission its Petition for Arbitration, including an Issues Matrix containing twenty-five[1] issues. However, we are now at a point where we are asking the Commission to arbitrate only four issues: 1, 6, 7 and 9[2]. My testimony will also provide rebuttal to AT&T's position, as provided by Mr. Follensbee's testimony, on

[1] The Issues Matrix filed as Attachment B to AT&T's Petition for Arbitration appears to list 26 issues; however, there is no Issue 24 in the matrix. Therefore, the matrix lists 25 issues.

[2] AT&T's witness, Mr. Gregory Follensbee, indicated in his testimony that the four issues remaining to be addressed by the Commission are Issues 1, 6, 7 and 12. However, according to the Issues Matrix, the issue that Mr. Follensbee labeled as Issue 12 in his testimony is actually Issue 9. In addition, there is a fifth issue, Issue 13, which BellSouth and AT&T agree should be transferred to a generic docket on internet protocol telephony.

these four issues.

Issue 1: Should calls to Internet service providers be treated as local traffic for the purposes of reciprocal compensation? (Local Interconnection, Attachment 3)

Q. WHAT IS BELLSOUTH'S POSITION ON THIS ISSUE?

A. As this Commission has previously ruled, reciprocal compensation should not apply to ISP-bound traffic. In Order No. 1999-690, Docket No. 1999-259-C, dated October 4, 1999 (ITC^DeltaCom/BellSouth arbitration), this Commission stated:

> The Commission finds that ISP-bound traffic is non-local interstate traffic. As such, the Commission finds on a going-forward basis and for the purposes of this interconnection agreement that ISP-bound traffic is not subject to the reciprocal compensation obligations of the 1996 Act. (Order at page 66)

Based on the Telecommunications Act of 1996 (the "Act") and the FCC's Local Competition First Report and Order issued August 8, 1996 ("Local Competition Order"), reciprocal compensation obligations under Section 251(b)(5) apply only to local traffic. ISP-bound traffic constitutes access service, which is clearly subject to interstate jurisdiction and is not local traffic. AT&T has not provided any evidence to the contrary; therefore, BellSouth maintains its position with respect to this issue in this proceeding.

Q. WHAT IS AT&T'S POSITION ON THIS ISSUE?

A. AT&T wants ISP-bound calls to be treated as local traffic for purposes of reciprocal compensation. As I will show, AT&T's position is clearly at odds with the FCC's findings and with this Commission's 1999 ruling.

Q. DOES IT MAKE SENSE FOR ONE LEC TO PAY RECIPROCAL COMPENSATION TO ANOTHER LEC FOR ISP-BOUND TRAFFIC ORIGINATED BY A LOCAL SERVICE CUSTOMER?

A. No. In order to explain why it is inappropriate for one LEC to provide such compensation to another LEC for ISP-bound traffic, first let me step through the more familiar situation of compensation for long distance calls which, of course, involve an interexchange carrier ("IXC"). In my example, I am going to assume that BellSouth has an extended area service arrangement with GTE and that the IXC's (AT&T in my example) point of presence is in GTE's service area.

Let's assume that end user A, who obtains local service from BellSouth, subscribes to AT&T for its long distance service. The end user would pay BellSouth each month for his local service. When end user A places a long distance call, as opposed to a local call, end user A pays AT&T for the call. AT&T then pays both BellSouth and GTE for the portion of originating switched access service provided by each company. There is absolutely no dispute that payment for an inter-company long distance call is made in this

manner.

Now, let's compare what occurs when end user A subscribes to Internet service. Just as with long distance service, end user A must subscribe separately for Internet service. In effect, end user A presubscribes to an ISP for Internet service. Instead of building facilities to end users, an ISP collects access traffic over facilities it leases from a LEC just like a long distance company does. For the purpose of continuing the example, let's assume the ISP obtains its access service from GTE and is located in GTE's portion of that same extended area service that I described earlier. As in the long distance example, end user A pays BellSouth for his local exchange service. End user A also pays the ISP for his Internet access, just like he pays for long distance service, although the ISP service may be flat-rated rather than usage-based as are toll rates. However, the ISP, unlike the IXC, does not pay BellSouth for originating traffic that BellSouth is helping to carry from the ISP's customer to the ISP's location where the call will go out over the Internet.

It is obvious from these examples that, when end user A accesses the Internet through an ISP who is a customer of GTE, the only party not being compensated for the costs it incurs is BellSouth. In the first example detailing a typical long distance call, AT&T would pay both BellSouth and GTE originating switched access. However, in the second example, the ISP only pays GTE for the access service it receives. BellSouth does not receive any compensation for this call even though it incurs costs on behalf of the ISP.

Indeed, if ISPs had not been exempted by the FCC from paying access charges for the access service they receive, BellSouth would receive originating access from the ISP just like it would from AT&T in the long distance example. GTE would only receive a portion of the full access charges paid by AT&T. However, due to the exemption, the ISP only pays basic local business rates to the service provider who provided the connection to its premises – in this case, GTE. Therefore, since BellSouth is not compensated for delivery of ISP-bound traffic, it would be nonsensical for GTE to claim that it is somehow owed additional compensation from BellSouth for such traffic. GTE is receiving its compensation from the ISP. If reciprocal compensation were required for this traffic, the additional payment would be nothing more than a windfall for GTE. Indeed, GTE would be paid both by the ISP and by BellSouth for the same traffic.

Q. IS IT REASONABLE TO CONCLUDE THAT THE ACT REQUIRES RECIPROCAL COMPENSATION TO APPLY TO ISP-BOUND TRAFFIC?

A. No. It does not make sense to think that Congress intended for the Act to create a windfall for CLECs; however, paying reciprocal compensation for ISP-bound traffic cannot be viewed as anything but a windfall. The huge dollar amounts being billed by CLECs to ILECs do not represent revenues that CLECs have earned as a result of providing local service. Nor do these dollar amounts represent cost recovery for completing local calls originated by BellSouth's end users. To the contrary, these revenues represent new money for CLECs resulting from an inappropriate application of reciprocal

compensation. However, there are no new revenues or cost reductions for BellSouth to fund these new revenues for CLECs.

Q. OTHER THAN THE REASONS YOU HAVE JUST PROVIDED, ARE THERE OTHER REASONS THAT PAYMENT TO CLECs FOR ISP-BOUND TRAFFIC WOULD BE INAPPROPRIATE?

A. Yes. Specifically, the local exchange rates paid by end user customers were never intended to recover costs associated with providing non-local service. Indeed, those rates were established long before the Internet became popular. Local exchange rates provide compensation (and, often, not adequate compensation) only for calls that originate and terminate in the same local calling area. ISP-bound traffic characteristics and volume, which vary significantly from local traffic, were never considered when basic local exchange rates were established.

Q. DO THE LOCAL INTERCONNECTION RATES PREVIOUSLY ESTABLISHED BY THE COMMISSION REFLECT ISP-BOUND TRAFFIC?

A. No. The local interconnection rates approved by this Commission in Docket No. 97-374-C were based on cost studies specific to originating local traffic. Switching costs have two major components – call set-up costs and call duration costs. Call set-up costs occur irrespective of how long the call actually lasts, and are a significant part of the costs of originating calls.

Conversely, call duration costs are specifically related to how long the call actually lasts. On average, a local call is 3 minutes long, so the call set-up cost is divided by 3 in order to recover the cost on a per minute basis. Then, the per minute duration cost is added to the per minute set-up cost. The result is the per minute cost for originating calls. For simplicity, this same rate has been used for reciprocal compensation applicable to local traffic.

While the typical call duration for a local call is approximately three minutes, an Internet session generally lasts much longer than three to four minutes. According to Nielson/NetRatings, for the month of November, 2000, 95.3 million persons out of 153.8 million persons who have access to the Internet from their homes actually surfed the Internet.[3] The average time spent surfing the Net was over thirty-two minutes per individual session, with an average of 18 sessions per month. A cost study done to represent the costs caused by a 30-minute call would involve dividing the call set-up cost by 30 (rather than by 3). Obviously, this would result in a significantly lower per minute cost for an ISP-bound call.

Again, the rates this Commission approved for local interconnection are appropriately based on costs associated with an average originated local call of approximately three minutes. This discussion is provided simply to demonstrate that the per minute costs would be different if long-duration ISP-bound traffic were considered.

[3] Nielson/NetRatings, "Average Web Usage, Month of November, 2000, U.S.": http://209.249.142.27/nnpm/owa/nrpublicreports.usagemonthly, 12/14/00.

Q. IS BELLSOUTH'S POSITION REGARDING JURISDICTION OF ISP-BOUND TRAFFIC CONSISTENT WITH THE FCC'S FINDINGS AND ORDERS?

A. Yes. BellSouth's position is supported by, and is consistent with, the FCC's findings and Orders which state that, for jurisdictional purposes, traffic must be judged by its end-to end nature, and must not be judged by looking at individual components of a call. BellSouth's position is also consistent with the FCC's historical treatment of ISP traffic. Therefore, for purposes of determining jurisdiction for ISP-bound traffic, the originating location and the final termination must be looked at from an end-to-end basis. BellSouth's position is consistent with long-standing FCC precedent and has been reaffirmed numerous times. For example, in its December 23, 1999 Order on Remand, Footnote 73, the FCC lists its previous decisions in 1988, 1992, 1995 and 1997 reaching the same conclusion about the end-to-end nature of ISP traffic. Clearly, the prevailing view of the FCC has been that jurisdiction of a call is determined by its end points and that ISP traffic is jurisdictionally interstate access service.

The FCC's position is clear that no part of an ISP-bound communication terminates at the facilities of an ISP. Once it is understood that ISP-bound traffic "terminates" only at distant websites, which are almost never in the same exchange as the end-user, it is evident that these calls are not local.

Q. WHAT IS THE STATUS OF THE FCC'S FEBRUARY 26, 1999

DECLARATORY RULING?

A. On March 24, 2000, the D.C. Circuit Court of Appeals vacated the FCC's Declaratory Ruling and remanded it "for want of reasoned decision-making." (*Bell Atlantic Telephone Companies v. FCC, 206 F. 3d 1 (D.C. Cir. 2000)*) ("D.C. Order"). The D.C. Order, however, does not contradict the FCC's conclusion that ISP-bound traffic is non-local traffic. It simply puts the burden back on the FCC to provide further documentation or reasoning for its decision. The D.C. Order states, "[b]ecause the Commission has not supplied a real explanation for its decision to treat end-to-end analysis as controlling, we must vacate the ruling and remand the case." (D.C. Order at 8).

In its decision, the D.C. Circuit Court recognized that, under the FCC's regulations, reciprocal compensation is due on calls to the Internet if, and only if, such calls "terminate" at the ISP's local facilities. The Court held, however, that the FCC had not adequately explained its conclusion that calls to an ISP do not terminate at the ISP's local point of presence but instead at a distant website. It therefore remanded the matter to allow the FCC to provide a "satisfactory explanation." The Court also found that the FCC had not adequately addressed in its Declaratory Ruling whether ISP-bound traffic was exchange service or exchange access service.

Q. WHAT ARE THE IMPLICATIONS OF THE D.C. CIRCUIT COURT'S DECISION ON THIS ISSUE?

A. The D.C. Circuit Court's action has no effect on the determination that ISP-bound traffic is access traffic. The Declaratory Ruling simply reiterated previous findings of the FCC. Those findings are in other effective orders of the FCC, as previously discussed, and were not affected by the D.C. Circuit Court's ruling.

For example, in its August 22, 1983, Memorandum Opinion and Order in CC Docket No. 78-72, the FCC addressed whether to assess surcharges on enhanced service providers, of which ISPs are a subset. It stated that "were we at the outset to impose full carrier usage charges on enhanced service providers ... who are currently paying local business exchange service rates *for their interstate access...*". (¶84, emphasis added). The FCC reiterated its position that such traffic is jurisdictionally interstate in its orders in 1987 (Notice of Proposed Rulemaking, Amendments of Part 69 of the Commission's Rules Relating to Enhanced Service Providers, FCC 87-208, released July 17, 1987) and 1999 (Order on Remand, *Deployment of Wireline Services Offering Advanced Telecommunications Capability,* FCC 99-413, 1999 WL 1244007 issued Dec. 23, 1999 ("Advanced Services Order on Remand")).

Q. HAS THE FCC ALREADY ADDRESSED ONE OF THE PRIMARY CONCERNS RAISED IN THE D.C. CIRCUIT COURT'S ORDER?

A. Yes. The D.C. Circuit Court concluded that the FCC had not sufficiently explained in the order under review why Internet service constituted "exchange access" and not "telephone exchange service." At the same time, however, the

Court acknowledged that the "statute appears ambiguous as to whether calls to ISPs fit within 'exchange access' or 'telephone exchange service' and on that view any agency interpretation would be subject to judicial deference." (D.C. Order at 9). In its Advanced Services Order on Remand, at ¶ 43, the FCC explained in detail that calls to ISPs of the sort at issue here constitute interstate "exchange access" not "telephone exchange service." The D.C. Circuit Court declined to consider that conclusion, however, because "[t]he Commission . . . did not make this argument in the ruling under review." (Id. at 9).

Q. HOW DOES THE FCC BELIEVE THE D.C. CIRCUIT COURT'S ACTIONS WILL AFFECT ITS CONCLUSIONS REGARDING THE NATURE OF ISP-BOUND TRAFFIC?

A. The FCC has already indicated informally that it believes it can provide the requested clarification and support the conclusion it previously reached -- that is, that Internet-bound calls do not terminate locally. *See* TR Daily, *Strickling Believes FCC Can Justify Recip. Comp. Ruling in Face of Remand,* March 24, 2000 (stating that the Chief of the FCC's Common Carrier Bureau "still believes calls to ISPs are interstate in nature and that some fine tuning and further explanation should satisfy the court that the agency's view is correct").

Q. HOW DOES THE D.C. CIRCUIT COURT'S TREATMENT OF THE FCC'S DECLARATORY RULING AFFECT A STATE COMMISSION'S COMMISSION TO ADDRESS AN INTER-CARRIER COMPENSATION

MECHANISM FOR ISP-BOUND TRAFFIC?

A. The D.C. Circuit Court's action could have a substantial impact on whether states can address the issue of compensation for ISP-bound traffic in arbitration proceedings. The Declaratory Ruling was the only order which specifically authorized states to develop a compensation mechanism for ISP-bound traffic. Unlike the issue of the jurisdictional nature of the traffic, which is addressed in several other orders, no other order has conferred authority on the states to develop such a mechanism. Obviously, since the Declaratory Ruling is vacated, and it was the only order conferring authority to the state commissions, there now is no order conferring such authority. In fact, the Court pointed out that its having vacated the Commission's ruling leaves the incumbents "free to seek relief from state-authorized compensation that they believe to be wrongfully imposed." (D.C. Order at 9). Therefore, Mr. Follensbee's contention at page 10 that "[t]he Court left intact the right of the state commission to determine how the traffic should be classified" is directly contrary to the action the Court actually took.

Q. WHAT ACTION IS BELLSOUTH REQUESTING THE COMMISSION TAKE?

A. BellSouth requests that the Commission find, as it did in the 1999 ITC^DeltaCom arbitration, that reciprocal compensation is not due on ISP-bound traffic because such traffic constitutes access service, and the reciprocal compensation obligations under Section 251(b)(5) apply only to local traffic.

Issue 6: Under what rates, terms, and conditions may AT&T purchase network elements or combinations to replace services currently purchased from BellSouth's tariffs? (UNEs, Attachment 2)

Q. PLEASE BRIEFLY EXPLAIN THIS ISSUE.

A. This issue involves the rates, terms and conditions that should govern the conversion of special access services and other services to unbundled network elements. All aspects of this issue have been resolved except for the following two areas:

(1) Costs/Prices for converting other (non-special access) services to UNEs and

(2) the application of termination liability charges to services converted to UNEs.

In this arbitration, AT&T has only addressed the question of the termination liability charges and, as a result, that is what I will address in my testimony.

Q. WHAT LANGUAGE HAS BELLSOUTH PROPOSED TO AT&T REGARDING THE REMAINING SUB-ISSUE?

A. The contract language that BellSouth proposed to AT&T for conversion of tariffed services to UNEs is attached to my testimony as Exhibit JAR-1.

Q. WHAT IS BELLSOUTH'S POSITION REGARDING THE APPLICATION OF TERMINATION LIABILITY CHARGES AND VOLUME AND TERM DISCOUNTS WHEN SERVICES ARE CONVERTED TO UNES?

A. First, let me explain that this issue can address two situations. In one situation, an end user who has entered into a volume and term contract with BellSouth for tariffed services now wishes to terminate his retail relationship with BellSouth to move to another service provider. In the other situation, AT&T has purchased a tariffed service from BellSouth under a volume and term contract, and AT&T now wants to convert that tariffed service to UNEs. In either case, the entity that is terminating the contractual relationship will have the obligation to meet the termination provisions to which the entity agreed when the contract was made. I do want to mention that during the arbitration between AT&T and BellSouth that occurred in Louisiana on December 19, 2000, AT&T asserted that this dispute centered only on the situation where AT&T was the customer converting a tariffed service to UNEs, and that it was not disputing the applicability of termination charges in other situations. With that in mind, while my comments in response to this issue address both situations, AT&T may take the position that only the one situation, where AT&T is the customer, is involved in this arbitration. If that is the case, that is fine with BellSouth and my comments should only be taken to address that situation.

Whether the existing service was purchased on a month-to-month (non-

contractual) basis or under a volume and term or other contractual basis, BellSouth will convert such service to the appropriate pre-existing combination of UNEs upon request by AT&T at the rates in the agreement for the UNEs. However, if the service is currently provided under a contractual agreement with BellSouth, then the terms of the retail agreement or contract that are applicable to early termination, including payment of early termination liabilities, must be satisfied.

This result is clearly appropriate. A customer who is under contract generally pays lower rates than he would pay if he were not under contract, and the customer is protected from any price increases. One purpose of termination liabilities is to ensure that the service provider receives a fair price for the service in the event the customer terminates the contract early. Therefore, if a contract is terminated early, it is appropriate for BellSouth to receive payment of the early termination charges. Moreover, to allow a customer, who has obtained the benefits of a lower price by promising to meet certain conditions, to avoid these termination liabilities discriminates against other similarly situated customers who must abide by the terms of their agreements.

Q. PLEASE EXPLAIN WHAT YOU MEAN BY "VOLUME AND TERM" CONTRACT.

A. Certain of BellSouth's tariffed offerings include rate schedules that vary dependant upon the length of the contract or the quantity of lines the customer agrees to order and maintain. Such pricing structures are common in the

industry. For example, a particular service might have a recurring monthly rate of $20.00. If the end user agrees to sign a 24-month contract, meaning that the end user agrees to keep the service for a minimum of 24 months, the monthly recurring rate might be $18.00. Likewise, the tariff might include a 48-month recurring rate of $16.00. Typically, such tariffed services also include a termination liability that applies if the end user terminates the contract early.

A customer who has entered into a volume and term contract with BellSouth has generally paid lower rates than the customer would have paid if it were not under the contract. In exchange for these favorable rates, the customer generally agrees to pay "termination" liabilities in the event the contract is terminated early.

Q. PLEASE RESPOND TO MR. FOLLENSBEE'S CONTENTION AT PAGES 43-44 THAT BELLSOUTH MAY NOT APPLY TERMINATION LIABILITY CHARGES WHEN TARIFFED SERVICES ARE CONVERTED TO UNBUNDLED NETWORK ELEMENT ("UNE") COMBINATIONS.

A. First, I will note that Mr. Follensbee has chosen in his direct testimony to refer to termination liabilities as "cancellation charges." He alleges that BellSouth plans to charge AT&T "cancellation charges" when tariffed services are converted to unbundled network elements.

Mr. Follensbee claims that "cancellation charges" are applicable only when a service is completely terminated and is not replaced with another service.

Since AT&T is converting tariffed services to UNE combinations, and is not "canceling" the service, Mr. Follensbee therefore contends that no termination charges are applicable. This is incorrect. When BellSouth has a relationship with a user of its services, and that relationship has certain conditions that have to be met if the relationship changes, then those conditions – in this case, termination charges - must be met.

BellSouth agrees that the customer's service is not being terminated. However, the customer's retail contract with BellSouth is being terminated. If that customer is currently purchasing tariffed services from BellSouth at month-to-month rates, then BellSouth will simply effect the conversion to UNE rates. However, if the customer is currently purchasing tariffed services under contract at lower rates based on a volume and term commitment, then BellSouth will apply any applicable termination liabilities when the service is converted to UNEs. This has to be the case because, otherwise, the customer who merely purchases the service on a month-to-month basis will be the victim of discrimination. A customer who purchases service on a month-to-month basis in lieu of purchasing the same service on a contract basis presumably does so because that customer does not want to make a volume and term commitment or be exposed to a termination liability. AT&T's position on this issue, if adopted, would mean that a customer who agrees to a volume and term contract and obtains a lower rate could avoid the termination liability simply by switching to another service provider at some point prior to expiration of the contract. AT&T is ignoring the fact that this termination liability was agreed to by the customer when the contract was signed. Now, AT&T wants

to keep all of the benefits of the contract without honoring the conditions of the contract.

Again, termination liabilities apply when the retail customer has paid less because of the customer's contractual agreement with BellSouth. When the customer chooses to become a retail customer of AT&T's, presumably because the customer will obtain some financial benefit from that relationship, it is inequitable to allow the customer to have had the benefit of its bargain with BellSouth for whatever period of time has elapsed since the contract was made, without imposing the burden that the contract requires when that retail relationship is terminated early.

Q. HOW DO YOU RESPOND TO MR. FOLLENSBEE'S ALLEGATION AT PAGE 44 THAT AT&T HAD NO CHOICE BUT TO PURCHASE THESE TARIFFED SERVICES FROM BELLSOUTH?

A. I disagree completely with Mr. Follensbee's portrayal of BellSouth as "unwilling to provide combinations of network elements in lieu of special access." AT&T, had it chosen to do so, could have combined the UNEs necessary to provide the service that it wanted. However, AT&T did not want to incur the expense of doing so. AT&T wanted, and this was the real issue, for BellSouth to combine the UNEs for AT&T, but BellSouth is not required to do this for AT&T at UNE rates. Because AT&T chose not to do the combining itself, and because BellSouth is not required to do the combining, AT&T chose to purchase the tariffed services from BellSouth, hoping to be

able to convert those to UNEs at a later date. AT&T has done what it has done based on its own economic self-interest. Again, BellSouth is not required to combine elements for CLECs at UNE rates.

AT&T could have purchased these services on a month-to-month basis. Of course, doing so would have cost more, so AT&T chose instead to enter into a contract to receive lower rates based on a volume and term commitment and an agreement to pay termination liabilities if that commitment was not honored. Now, AT&T wants to keep the benefit of the lower rates and break the commitment without bearing the consequences it agreed to bear.

Q. WHAT DOES BELLSOUTH REQUEST OF THE COMMISSION?

A. BellSouth requests the Commission find that BellSouth's proposed contract language, as reflected in Exhibit JAR-1, is appropriate and that termination liabilities resulting from contractual obligations are appropriate and applicable when a tariffed service is converted to UNEs.

Issue 7: How should AT&T and BellSouth interconnect their networks in order to originate and complete calls to end-users? (Local Interconnection, Attachment 3)

Q. WHAT IS THE ESSENCE OF THE DISPUTE BETWEEN THE PARTIES ON THIS ISSUE?

A. The issue is pretty simple. BellSouth has a local network in each of the local calling areas it serves in South Carolina. For instance, in the Columbia LATA, BellSouth has numerous local calling areas such as Camden, Columbia, Barnwell, Newberry, Orangeburg, Whitmire, St. George, etc., and each of these local calling areas is served by a local network. Nevertheless, AT&T wants to physically interconnect its network with BellSouth's "network" in each LATA at a single point, or perhaps two points. This approach simply ignores that there is not one BellSouth "network" but a host of networks that are all interconnected.

Importantly, BellSouth does not object to AT&T designating a single Point of Interconnection at a point in a LATA on one of BellSouth's "networks" for traffic that AT&T's end users originate. Further, BellSouth does not object to AT&T using the interconnecting facilities between BellSouth's "networks" to have local calls delivered or collected throughout the LATA. What BellSouth does want, and this is the real issue, is for AT&T to be financially responsible when it uses BellSouth's network in lieu of building its own network to deliver or collect these local calls.

AT&T, to contrast its position with BellSouth's, expects BellSouth to collect local traffic bound for AT&T's end users in each of BellSouth's numerous local calling areas in the LATA, and AT&T expects BellSouth to be financially responsible for delivering, to a single point (or, at most, to two points) in each LATA, local calls that are destined for AT&T's local customers within the same local calling area where the call originated. I should point out that

AT&T has said that, for network security reasons, AT&T may establish a second point of interconnection in a LATA. However, whether or not that point is ever established, AT&T maintains that the location of the point is solely at AT&T's discretion. Indeed, AT&T has only committed to establish a single point of interconnection in each LATA.

BellSouth agrees that AT&T can choose to interconnect with BellSouth's network at any technically feasible point in the LATA. However, BellSouth does not agree that AT&T can impose upon BellSouth the financial burden of delivering BellSouth's originating local traffic to that single point. If AT&T wants local calls completed between BellSouth's customers and AT&T's customers using this single Point of Interconnection, that is fine, provided that AT&T is financially responsible for the additional costs AT&T causes.

Q. DOES BELLSOUTH'S POSITION MEAN THAT AT&T HAS TO BUILD A NETWORK TO EVERY LOCAL CALLING AREA, OR OTHERWISE HAVE A POINT OF INTERCONNECTION WITH BELLSOUTH'S LOCAL NETWORK IN EVERY LOCAL CALLING AREA?

A. No. AT&T can build out its network that way if it chooses, but it is not required to do so. AT&T can lease facilities from BellSouth or any other provider to bridge the gap between its network (that is, where it designates its Point of Interconnection) and each BellSouth local calling area. BellSouth will be financially responsible for transporting BellSouth's originating traffic to a single point in each local calling area. However, BellSouth is not obligated to

be financially responsible for hauling AT&T's local traffic to a distant point dictated by AT&T.

Q. WHAT IS A POINT OF INTERCONNECTION?

A. The term "Point of Interconnection" describes the point(s) where BellSouth's and AT&T's networks physically connect. In its First Report and Order, at paragraph 176, the FCC defined the term "interconnection" by stating that:

> We conclude that the term "interconnection" under section 251(c)(2) refers only to the physical linking of two networks for the mutual exchange of traffic.

Therefore, the Point of Interconnection is simply the place, or places, on BellSouth's networks where that physical linking of AT&T's and BellSouth's networks takes place. Simply put, the Point of Interconnection is the place where facilities that AT&T owns connect to facilities owned by BellSouth.

The term "interconnection point" is used by AT&T and BellSouth to define the place where financial responsibility for a call changes from one carrier to the other. The "Point of Interconnection" and the "interconnection point" can be at the exact same physical point, or they can be at different points.

Q. IF AT&T CAN INTERCONNECT WITH BELLSOUTH'S NETWORK AT ANY TECHNICALLY FEASIBLE POINT, WHY IS THIS AN ISSUE?

A. Recall that what we are talking about here is the interconnection of "local

networks." AT&T's network deployment is significantly different from BellSouth's, which is the main reason that this issue exists between the parties. BellSouth has a number of distinct functional networks. For example, BellSouth has local networks, long distance networks, packet networks, signaling networks, E911 networks, etc. Each of these networks is designed to provide a particular service or group of services. With regard to "local networks," BellSouth, in any given LATA, has several such local networks, interconnected by BellSouth's long distance network. BellSouth's networks are "seamless" in the sense that a customer connected to one network can access another network upon payment of the appropriate fees and they overlap, in the sense that an end office is used for both local and toll calls. However, these networks are individual networks in the sense that when a customer pays for local service in the Columbia local calling area, that is what the customer gets. The customer does not get access to other distant local calling areas, at least not without payment of the appropriate fees.

Customers who want local service in a particular local calling area must be connected to the local network that serves that local calling area. A BellSouth customer who connects to the Columbia local network will not receive local service in the Orangeburg local calling area because Orangeburg is not in the Columbia local calling area. Likewise, a CLEC who wants to connect with BellSouth to provide local service in Orangeburg has to connect to BellSouth's local network that serves the Orangeburg local calling area. BellSouth's local calling areas, I would add, have been defined and set out over the years either by this Commission or by BellSouth with the approval of this Commission.

When AT&T has a single switch in a LATA, then, by definition, that switch is located in a single BellSouth local calling area. Let's assume that AT&T's switch is located in Columbia. When a BellSouth local customer in Columbia wants to call an AT&T local customer in Columbia, BellSouth delivers the call to the appropriate point of interconnection between BellSouth's network and AT&T's network in Columbia. This network configuration is illustrated on Page 1 of Exhibit JAR-2 attached to my testimony. BellSouth would be financially responsible for taking a call from one of its subscribers located in the Columbia local calling area and delivering it to another point in the Columbia local calling area, the AT&T Point of Interconnection. This scenario is not a problem.

Next, consider the scenario shown on Page 2 of Exhibit JAR-2, which is a call between two BellSouth customers in Orangeburg. In that scenario, the call originates with BST EU A and terminates to BST EU C. Again, the call would not leave the local calling area and, in this situation, BellSouth would be responsible for both the origination and termination of the call.

The problem arises when a BellSouth customer located in a distant local calling area from AT&T's Point of Interconnection wants to call his next-door neighbor who happens to be an AT&T local subscriber. This scenario is shown on Page 3 of Exhibit JAR-2. Assume that a BellSouth customer in Orangeburg calls an AT&T customer in Orangeburg. The originating customer draws dial tone from BellSouth's Orangeburg switch. The BellSouth customer

then dials the AT&T customer and, under AT&T's proposal, the call has to be hauled outside of the local calling area from Orangeburg to AT&T's Point of Interconnection in Columbia. AT&T then carries the call to its switch in Columbia and connects to AT&T's loop serving AT&T's customer in Orangeburg. Again, and importantly, as shown on Page 2 of Exhibit JAR-2, the call never needed to leave the Orangeburg local calling area. However, under AT&T's proposal as shown on Page 3, the same call would have to be hauled by BellSouth all the way to Columbia, simply because Columbia is where AT&T decided to designate its Point of Interconnection. Simply put, the issue here involves who is financially responsible for the facilities that are used to haul calls back and forth between AT&T's Point of Interconnection in Columbia and the BellSouth Orangeburg local calling area.

Q. HOW WOULD AT&T CONNECT TO BELLSOUTH'S LOCAL NETWORKS THAT ARE OUTSIDE THE LOCAL CALLING AREA WHERE AT&T'S SWITCH IS LOCATED?

A. It is my understanding that AT&T has agreed to establish at least one Point of Interconnection in each LATA. This is necessary because BellSouth is still not authorized to carry traffic across LATA boundaries. AT&T would build facilities from its switch (wherever it is located) to the Point of Interconnection in the LATA where the BellSouth local network is located. Once that Point of Interconnection is established, the issue remains the same. Who is financially responsible for the facilities needed to carry calls between that Point of Interconnection and the distant BellSouth local calling area in which a local

call is to be originated and terminated? Since AT&T must establish a Point of Interconnection in each LATA, whether or not AT&T also has a switch in each LATA is not relevant to resolving the problem that AT&T's network design has created.

Q. WHY DO YOU SAY THAT AT&T MUST BE FINANCIALLY RESPONSIBLE FOR THE TRANSPORT OF THESE CALLS FROM LOCAL CALLING AREAS THAT ARE DISTANT FROM THE POINT WHERE AT&T HAS CHOSEN TO INTERCONNECT ITS NETWORK WITH BELLSOUTH'S?

A. First, that is the only approach that makes economic sense. I will explain the rationale for this statement later. Second, the Eighth Circuit determined that the ILEC is only required to permit a CLEC to interconnect with the ILEC's existing local network, stating that:

> The Act requires an ILEC to (1) permit requesting new entrants (competitors) in the ILEC's local market to interconnect with the ILEC's existing local network and, thereby, use that network to compete in providing local telephone service (interconnection)....
> (Eighth Circuit Court Order dated July 18, 2000, page 2).

This is a very important point. When AT&T interconnects with BellSouth's local network in Columbia, it is not also interconnecting with BellSouth's local network in Orangeburg for the purpose of receiving BellSouth's originating local traffic from Orangeburg. AT&T is only interconnecting with the Columbia local network. The fact that AT&T is entitled to physically connect

with BellSouth at a single point in the LATA cannot overcome the fact that the single Point of Interconnection cannot, by itself, constitute interconnection with every single local calling area in a LATA for BellSouth's originating local traffic from those local calling areas.

If that were true, think of the implications. Absent LATA restrictions, AT&T's theory would mean that AT&T could have a physical Point of Interconnection with BellSouth's "network" in Greenville, and BellSouth would be required to haul local calls originating in Orangeburg and destined to terminate in Orangeburg all the way to Greenville, at no cost to AT&T. Moreover, this is not simply a hypothetical situation I am describing. In the just completed Louisiana arbitration, AT&T stated that they were doing local switching for the New Orleans LATA, at least in part, with a switch that was located in St. Louis, Missouri, which is at least two states away from New Orleans. That just does not make sense. Again, AT&T can build whatever network it wants, and it can interconnect with BellSouth's "network" wherever it is technically feasible. However, AT&T cannot shift the financial burden of its network design to BellSouth.

Q. PLEASE EXPLAIN HOW AT&T IS ATTEMPTING TO SHIFT ITS FINANCIAL RESPONSIBILITY TO BELLSOUTH.

A. As I have explained above, AT&T's network design results in additional costs that AT&T inappropriately contends BellSouth should bear. Again, AT&T wants BellSouth to bear the cost of the facilities used to haul the call I just

described between Orangeburg and Columbia. There is nothing fair, equitable or reasonable about AT&T's position. Because AT&T has designed its network the way it wants, and has designed its network in the way that is cheapest for AT&T, AT&T must bear the financial responsibility for the additional facilities used to haul the call between Orangeburg and Columbia. AT&T does not have to actually build the facilities. It does not have to own the facilities. It just has to pay for them. BellSouth objects to paying additional costs that are incurred solely due to AT&T's network design. It is simply inappropriate for AT&T to attempt to shift these costs to BellSouth.

Q. DO BELLSOUTH'S LOCAL EXCHANGE RATES COVER THESE ADDITIONAL COSTS?

A. No. BellSouth is, in theory at least, compensated by the local exchange rates charged to BellSouth's local customers for hauling all calls from one point within a specific local calling area to another point in that same local calling area. Certainly there would be no dispute that the local exchange rates that BellSouth's customers pay were not intended to cover and, indeed, cannot cover, the cost of hauling a local call from one Orangeburg customer to another Orangeburg customer by way of Columbia.

Indeed, if AT&T is not required to pay for that extra transport which AT&T's network design decisions caused, who will pay for it? The BellSouth calling party is already paying for its local exchange service, and certainly will not agree to pay more simply for AT&T's convenience. Who does that leave to

cover this cost? The answer is that there is no one else, and because AT&T has caused this cost through its own decisions regarding the design of its network, it should be required to pay for this additional cost.

Q. IS THE ARRANGEMENT THAT AT&T IS PROPOSING EFFICIENT?

A. No. AT&T seems to equate efficiency with what is cheapest for AT&T. Of course, that is not an appropriate measure of efficiency. Indeed, to measure efficiency, the cost to every carrier involved must be considered. Presumably, AT&T has chosen its particular network arrangement because it is cheaper for AT&T. A principal reason that it is cheaper for AT&T is because AT&T is expecting BellSouth's customers to bear substantially increased costs that AT&T causes by its network design. It simply makes no sense for BellSouth to bear the cost of hauling a local Orangeburg call outside the local calling area just because that is what AT&T wants BellSouth to do. AT&T, however, wants this Commission to require BellSouth to do just that. If AT&T bought these facilities from anyone else, AT&T would pay for the facilities. AT&T, however, does not want to pay BellSouth for the same capability.

AT&T's method of transporting local traffic is clearly more costly to BellSouth, but AT&T blithely ignores the additional costs it wants BellSouth to bear. Of course, these increased costs will ultimately be borne by customers, and if AT&T has its way, these costs will be borne by BellSouth's customers. Competition should reduce costs to customers, not increase them. Competition certainly is not an excuse for enabling a carrier to pass increased

costs that it causes to customers it does not even serve. BellSouth requests that the Commission require AT&T to bear the cost of hauling local calls outside BellSouth's local calling areas. Importantly, AT&T should not be permitted to avoid this cost, nor should AT&T be permitted to collect reciprocal compensation for facilities that haul local traffic outside of the local calling area.

Q. HOW HAS THE FCC ADDRESSED THE ADDITIONAL COSTS CAUSED BY THE FORM OF INTERCONNECTION A CLEC CHOOSES?

A. In its First Report and Order in Docket No. 96-98, Order No. 96-325, the FCC states that the CLEC must bear the additional costs caused by a CLEC's chosen form of interconnection. Paragraph 199 of the Order states that "a requesting carrier that wishes a 'technically feasible' but expensive interconnection would, pursuant to section 252(d)(1), be required to bear the cost of that interconnection, including a reasonable profit." (emphasis added). Further, at paragraph 209, the FCC states that "Section 251(c)(2) lowers barriers to competitive entry for carriers that have not deployed ubiquitous networks by permitting them to select the points in an incumbent LEC's network at which they wish to deliver traffic. Moreover, because competing carriers must usually compensate incumbent LECs for the additional costs incurred by providing interconnection, competitors have an incentive to make economically efficient decisions about where to interconnect." (emphasis added).

Clearly, the FCC expects AT&T to pay the additional costs that it causes BellSouth to incur. If AT&T is permitted to shift its costs to BellSouth, AT&T has no incentive to make economically efficient decisions about where to interconnect.

Q. WOULD AT&T'S ABILITY TO COMPETE BE HAMPERED BY AT&T'S INABILITY TO OBTAIN FREE FACILITIES FROM BELLSOUTH?

A. Absolutely not. First, AT&T does not have to build or purchase interconnection facilities to areas that AT&T does not plan to serve. If AT&T does not intend to serve any customers in a particular area, its ability to compete cannot be hampered.

Second, in areas where AT&T does intend to serve customers, BellSouth is not requiring AT&T to build facilities throughout the area. AT&T can build facilities to a single point in each LATA and then purchase whatever facilities it needs from BellSouth or from another carrier in order to reach individual local calling areas that AT&T wants to serve.

Q. WHAT ARE THE CONSEQUENCES OF AT&T'S POSITION ON THIS ISSUE, AS REPRESENTED BY MR. FOLLENSBEE?

A. First, AT&T's position means that it gets to designate where it will deliver calls originated by AT&T's end users to BellSouth for BellSouth to then deliver to the BellSouth end user being called. BellSouth agrees with AT&T

that it can do this. However, AT&T's position also means that it gets to designate how many places on BellSouth's network AT&T will accept BellSouth-originated traffic destined for AT&T's end users. That is, there is absolutely no symmetry in terms of each party deciding where it is willing to hand off its originating traffic to the other party. AT&T, under its approach, may decide to have only one or two interconnection points in a LATA where it will hand its originating traffic off to BellSouth.

If AT&T prevails, then BellSouth will be limited to no more than one or two interconnection points as well, even if BellSouth has fifteen or twenty local calling areas in the LATA. This means that, in a LATA with numerous local calling areas, BellSouth would be required to incur the cost of hauling local calls from one local calling area to a distant interconnection point, where the call would then be handed off to AT&T to be switched and brought back by AT&T to the same BellSouth local calling area in which the call originated. Adopting AT&T's position means that even though AT&T itself has created the situation where a local call has to be hauled more than one hundred miles to be switched, it will have managed to require BellSouth to pay for a portion of these costs. Simply put, AT&T wants BellSouth to subsidize AT&T's selected network design.

BellSouth's position on this issue does not mean that AT&T has to actually build a network to each of BellSouth's local calling areas. AT&T can build out its network that way if it chooses, but it is not required to do so. AT&T can lease facilities from BellSouth or from any other provider to bridge the gap

between its network (that is, where it designates its Point of Interconnection) and each BellSouth local calling area. Again, BellSouth's position is that BellSouth will be financially responsible for transporting its originating traffic to a single point in each local calling area. However, BellSouth is not obligated to be financially responsible for hauling AT&T's local traffic to a distant point dictated by AT&T.

Q. MR. FOLLENSBEE SUGGESTS, AT PAGE 15 OF HIS TESTIMONY, AND WHILE DISCUSSING HIS EXHIBITS GRF-3 THROUGH GRF-5, THAT BELLSOUTH IS ATTEMPTING TO IMPOSE ADDITIONAL COSTS ON AT&T, RATHER THAN THE OTHER WAY AROUND AS YOU MAINTAIN. SINCE YOU BOTH CANNOT BE RIGHT, CAN YOU EXPLAIN WHY MR. FOLLENSBEE IS WRONG?

A. First, let me say that I agree with what he has portrayed in his Exhibit GRF-3. Historically, when a BellSouth local subscriber in the Columbia local calling area places a call to another BellSouth local subscriber in that same local calling area, BellSouth incurs the cost of switching at the originating caller's office, transport to the called party's end office and switching at the called party's end office. We do not have a dispute about that.

Similarly, I agree with Mr. Follensbee's Exhibit GRF-4, provided that the call originates and terminates in the same BellSouth local calling area. A BellSouth customer originates a call, and BellSouth switches the call and delivers it to AT&T's Point of Interconnection located in that same local

calling area. BellSouth will pay the expenses of getting the call to that Point of Interconnection in the BellSouth local calling area, because that is what BellSouth's local subscribers are paying BellSouth to do. When the call reaches the Point of Interconnection, and AT&T switches the call to its end user, BellSouth will pay reciprocal compensation in the form of end office switching to AT&T. BellSouth has absolutely no problem with that scenario. But remember, because it is critically important, that all of this is taking place in the same BellSouth local calling area.

Turning to Mr. Follensbee's Exhibit GRF-5, I must say that AT&T has the story wrong. Or, more precisely, Mr. Follensbee has obfuscated the story. If everything that was pictured on Exhibit GRF-5 all took place within the BellSouth Columbia local calling area, Mr. Follensbee would be absolutely wrong. The BellSouth customer would originate a call, and BellSouth, once again, would deliver it to the designated Point of Interconnection. AT&T would pick up the call at the Point of Interconnection and carry it back to its switch. AT&T would then switch the call, and terminate it to its local customer. If all this happened in the Columbia local calling area, BellSouth would owe AT&T for call transport from the Point of Interconnection to AT&T's switch, and then would owe AT&T for local switching for terminating the call. On Exhibit GRF-5, the facility between the BellSouth switch and the AT&T switch appears to be a dedicated facility, so the transport paid in this situation by BellSouth would be some proportional share of the cost of the dedicated facility. The switching rate would be the normal end office rate established for reciprocal compensation.

If the call were flowing the other way (i.e., from AT&T's end user to BellSouth's end user), AT&T would incur the cost of switching its customer's call as well as transporting the call to the Point of Interconnection, an amount that would be exactly equal to what BellSouth pays AT&T when BellSouth's customer originates a call to one of AT&T's customers.

Q. SO WHY IS THIS EVEN AN ISSUE?

A. It is an issue because Mr. Follensbee failed to include something on his exhibit that is critical to this issue. If AT&T's and BellSouth's networks were set up as pictured in Mr. Follensbee's exhibit, everything would be fine. What he has neglected to point out is that even if AT&T has placed a local switch in a LATA, that switch may be located one hundred or more miles from the BellSouth local calling area that AT&T purports to serve. That is, in his Exhibit GRF-5, the BellSouth customer and the BellSouth switch may be located in Orangeburg and the AT&T customer may be located in Orangeburg, but AT&T's switch might be located in Columbia. In such a case, AT&T has made the decision to locate the switch in a distant location because that was what was economical for AT&T. That is fine. BellSouth does not object to AT&T locating its switch that far away from the local calling area it is serving.

However, it is absurd for AT&T to cry foul, as Mr. Follensbee does in his discussion of his Exhibit GRF-5, because BellSouth objects to incurring the cost of hauling a call that originates and terminates in Orangeburg, out of the

Orangeburg local calling area and over to Columbia. BellSouth will pay for hauling the call to a point in the Orangeburg local calling area. It is not equitable, however, to require BellSouth to incur the cost of hauling the call to Columbia because AT&T has chosen not to put a switch in Orangeburg, and that is the situation that is not accurately portrayed by Mr. Follensbee's Exhibit GRF-5.

Again, the basic local exchange rates that BellSouth's local subscribers pay are not intended to cover the cost of hauling local calls beyond BellSouth's local calling area. Nevertheless, that is exactly what AT&T wants to force BellSouth (and other local service providers) to do. Evidently, AT&T refuses to pick up the traffic at the Point of Interconnection in each of BellSouth's local calling areas in, for example, the Columbia LATA. At the same time, AT&T has refused to compensate BellSouth for the additional cost of transporting these calls from the various BellSouth local calling areas to a distant location selected by AT&T solely for AT&T's own convenience. It is the additional cost of transporting local traffic from BellSouth's designated Point of Interconnection to a distant location as desired by AT&T about which the parties disagree.

Q. WOULD THESE SAME COMMENTS APPLY TO MR. FOLLENSBEE'S "SIMPLE HYPOTHETICAL" BEGINNING ON PAGE 31 OF HIS TESTIMONY?

A. Yes. Again, in Mr. Follensbee's example, if AT&T's switch and BellSouth's

switch were both located in the same local calling area, we would not have an issue. However, the problem occurs when AT&T's switch is located at a distant site. Following Mr. Follensbee's logic in his example, AT&T could elect to provide local service to customers in South Carolina from AT&T's switch in California, and AT&T would expect BellSouth to pay for the facility necessary to get from South Carolina to California. Now, I am sure that AT&T would protest that I am overstating the matter; however, that is the ultimate result of AT&T's proposed solution to this issue. I urge the Commission to reject this effort on the part of AT&T to make BellSouth pay for AT&T's network design decisions.

Q. PLEASE RESPOND TO MR. FOLLENSBEE'S STATEMENT THAT "BELLSOUTH HAS A SUFFICIENT VOLUME OF TRAFFIC WITHIN AND BETWEEN EACH OF ITS LOCAL CALLING AREAS TO COST JUSTIFY TRUNKING TO THAT AREA AND HAS DESIGNED ITS NETWORK ACCORDINGLY." (PAGE 19, LINES 7-9)

A. Mr. Follensbee's statement reinforces the point that BellSouth is making concerning this issue. BellSouth has designed its local networks appropriately to transmit local traffic within each of its local calling areas, and has designed its toll network to carry traffic between each of its local calling areas. What BellSouth has not done, and what AT&T inappropriately insists that BellSouth must do, is design its network to transmit BellSouth's originating local traffic out of a local calling area to AT&T's single Point of Interconnection in the

LATA when the call originates and terminates within the same local calling area.

Q. PLEASE COMMENT ON AT&T'S PROPOSED "NETWORK INTERCONNECTION SOLUTION" AS PRESENTED BY MR. FOLLENSBEE.

A. Mr. Follensbee's proposed "solution" is simply an elaborate ruse that AT&T attempts to use to impose the additional costs of its network design onto BellSouth. Adopting Mr. Follensbee's solution would create the inequities that I discussed at length in my direct testimony. There is nothing equivalent, equitable, fair or reasonable about AT&T's solution, and it should be rejected.

Q. CAN YOU ILLUSTRATE YOUR POINT BY ADDRESSING EACH OF THE INDIVIDUAL COMPONENTS OF AT&T'S "SOLUTION"?

A. Yes. AT&T proposes that each parties' interconnection points (i.e., where it receives traffic for termination) should be situated at the "top" of its network. Apparently, in Mr. Follensbee's view, when AT&T interconnects with BellSouth's local network in Columbia, AT&T is interconnected to every BellSouth local network in the Columbia LATA. That is not true because, as I have previously explained, BellSouth has many local networks within the Columbia LATA.

AT&T proposes, in essence, that it will decide how many Points of

Interconnection are convenient and appropriate for AT&T, and then BellSouth would be stuck with that same number. In effect, AT&T proposes that the party with the fewest number of interconnection points, which would usually, or at least for the foreseeable future, be AT&T, would require the other party to aggregate all of its traffic to that same number of points. Further, AT&T proposes that each party be responsible for delivering its interconnection traffic (i.e., traffic originating on or transiting through its network) to the other party's interconnection points. In other words, each party has to bear the cost of delivering traffic to the location or locations specified by the other party. Simply put, these parts of AT&T's solution operate together to force BellSouth to provide free facilities to AT&T.

To illustrate the effect of each party having an equal number of interconnection points, let's look again at the Columbia LATA. AT&T may only want to interconnect with BellSouth at one point in the LATA. Therefore, under AT&T's proposed solution, BellSouth would be required to aggregate all of the local traffic from every one of its local networks in the Columbia LATA at a single location for delivery to AT&T. Because BellSouth's existing local networks are not aggregated at a single point in the LATA, BellSouth would have to create this new network configuration just to accommodate AT&T.

AT&T's proposal that each party has to bear the cost of delivering its originating traffic to the location or locations specified by the other party would require BellSouth to incur the cost of all of the new facilities needed to implement the portion of AT&T's solution that requires each party to have the

same number of interconnection points. AT&T completely ignores the fact that it must connect to BellSouth's existing local networks. Instead, AT&T is attempting to force BellSouth to extend its existing local networks to accommodate AT&T, at no charge to AT&T.

Q. IS AT&T'S PROPOSED SOLUTION CONSISTENT WITH THE FCC'S LOCAL COMPETITION ORDER?

A. No. Under AT&T's proposed solution, where the Point of Interconnection and the interconnection point are at the same place, the terminating party establishes the Point of Interconnection. Of course, the FCC's Order established that the originating party is permitted to establish the Point of Interconnection. In Section IV of its Order, the FCC established the concept that, due to reciprocal compensation being paid by the originating company, the originating company may seek to determine its Point of Interconnection in order to minimize its reciprocal compensation obligation to the terminating company. At ¶ 209 of its Local Competition Order, the FCC states:

> We conclude that we should identify a minimum list of technically feasible points of interconnection that are critical to facilitating entry by competing carriers. Section 251(c) gives competing carriers the right to deliver traffic terminating on an incumbent LEC's network at any technically feasible point on that network rather than obligating such carriers to transport traffic to less convenient or efficient interconnection points. Section 251(c)(2) lowers barriers to competitive entry for carriers that have not deployed ubiquitous

networks by permitting them to select the points in an incumbent LEC's network at which they wish to deliver traffic. Moreover, because competing carriers must usually compensate incumbent LECs for the additional costs incurred by providing interconnection, competitors have an incentive to make economically efficient decisions about where to interconnect. (emphasis added).

AT&T is requesting this Commission to adopt a plan which conflicts with this ruling by the FCC. BellSouth simply requests that AT&T be required to bear the cost of facilities that BellSouth may be required to install, on AT&T's behalf, in order to connect from a BellSouth local calling area to AT&T's Point of Interconnection located outside that local calling area.

Q. HOW DOES BELLSOUTH PROPOSE TO RESOLVE THIS ISSUE?

A. BellSouth should not be required to haul local traffic outside its local calling areas at no charge. BellSouth, not AT&T, is entitled to designate the pickup point for BellSouth originated traffic, and that point can be on BellSouth's network. BellSouth is willing to accommodate AT&T's proposed network design that does not have a Point of Interconnection in each BellSouth local calling area. However, AT&T would have to compensate BellSouth for transporting BellSouth's originating traffic to an AT&T designated Point of Interconnection outside the basic local calling area (but inside the LATA) in which the local call originates. I believe this to be an equitable arrangement for both parties. This solution would also alleviate AT&T's concern that its

collocation space is being used for both interconnection as well as accessing unbundled loops (Follensbee, page 35, lines 7-23 and page 36, lines 1–3). BellSouth's proposal would alleviate this concern because BellSouth would deliver the BellSouth originated local traffic to a point in the LATA as designated by AT&T which is outside the BellSouth local calling area and thus not utilize additional collocation space.

Q. WHAT DOES BELLSOUTH REQUEST OF THIS COMMISSION?

A. BellSouth requests the Commission to find that AT&T is required to bear the cost of facilities that BellSouth may be required to install, on AT&T's behalf, in order to connect from a BellSouth local calling area to AT&T's Point of Interconnection located outside that local calling area. I believe this to be an equitable arrangement for both parties.

Issue 7: Should AT&T be permitted to charge tandem rate elements when its switch serves a geographic area comparable to that served by BellSouth's tandem switch? (Attachment 3)

Q. PLEASE BRIEFLY EXPLAIN THIS ISSUE.

A. The FCC's rules established that, when two carriers are involved in delivery of local traffic, the originating carrier would compensate the terminating carrier for certain additional costs incurred to transport and terminate local calls from the originating carrier's customers. The FCC limited such compensation to be

symmetrical unless the CLEC could demonstrate that it was using an efficient configuration to transport and terminate the calls and that such configuration justified asymmetrical rates. Under symmetrical reciprocal compensation, the CLEC applies the ILEC's rate for transport and termination. The FCC determined that there should be two rates for transport and termination. One rate applies where tandem switching is involved (tandem rate) and the other rate applies where tandem switching is not involved (end office rate). The tandem rate simply consists of both the end office switching rate and the tandem switching rate. As a surrogate for these two rates, many state commissions have used the UNE rates of the involved network components as the basis for reciprocal compensation.

Q. HOW DOES BELLSOUTH USE TANDEM SWITCHES?

A. BellSouth has both local and access tandems. First, I will address local tandems. Sometimes there are so many local switches in a given local calling area that it makes economic sense to create a local tandem to help handle the flow of local calls between the end office switches. In this case, the local tandem is connected to numerous end office switches in the local calling area, thereby eliminating the need to have every end office switch in that local calling area connected directly to every other end office switch in that local calling area. In this situation, a caller who is served by one end office switch can place a local call to a subscriber served by another end office switch, and the call can be routed through the local tandem, rather than being trunked directly to the called party's local end office switch. Obviously, if there are a

lot of end office switches in a local calling area, using a tandem switch to aggregate traffic and to act as a central connection point makes economic sense and avoids a lot of extra trunking that would otherwise be required to ensure that call blockage was limited to acceptable levels.

The local tandem is functionally quite similar to what is often referred to as an access tandem. An access tandem is a tandem switch that is also connected to all of the local central offices in a given area. The difference is that the access tandem handles both local and long distance traffic while the local tandem only handles local traffic.

Q. WHAT IS BELLSOUTH'S POSITION ON THIS ISSUE?

A. In order for AT&T to appropriately charge for tandem switching, AT&T must demonstrate to the Commission that: 1) its switches serve a comparable geographic area to that served by BellSouth's tandem switches and that 2) its switches actually perform local tandem functions. AT&T should only be compensated for the functions that it actually provides.

BellSouth proposes to bill AT&T for use of a tandem only when BellSouth incurs the cost of tandem switching on a particular local call. Further, BellSouth proposes to pay AT&T the tandem switching rate only when AT&T incurs the cost of tandem switching on a particular local call. To incur this cost, AT&T must provide the functionality of a tandem switch, as opposed to an end office switch, and AT&T must be serving a geographic area comparable

to a BellSouth tandem. However, AT&T wants to charge BellSouth for tandem switching on every local call, regardless of whether AT&T incurs the cost.

Q. WHAT IS AT&T'S POSITION ON THIS ISSUE?

A. Apparently, because AT&T's switches can serve the same geographic area, AT&T's position is that AT&T should always receive the rate for tandem switching, regardless of whether AT&T actually performs the tandem function for a particular local call.

Q. WHAT IS THE BASIS FOR BELLSOUTH'S POSITION ON THIS ISSUE?

A. In its Local Competition Order, the FCC stated that the "additional costs" of transporting and terminating local traffic vary depending on whether or not a tandem switch is involved. (¶ 1090). As a result, the FCC determined that state commissions can establish transport and termination rates that vary depending on whether the traffic is routed through a tandem switch or directly to a carrier's end-office switch. *Id.* To that end, BellSouth has separate rates for transport and termination depending upon whether tandem switching is involved. When a CLEC's end user originates a local call that terminates on BellSouth's local network, BellSouth charges the CLEC a different rate for reciprocal compensation based on whether or not local tandem switching is involved in that call. When a BellSouth end user originates a local call that

terminates on the CLEC's network, the CLEC should only charge the tandem rate when the CLEC actual provides the tandem switching function.

The FCC, of course, recognized that a CLEC might not use the same network architecture as BellSouth or any other incumbent carrier. In order to insure that a CLEC would receive the equivalent of a tandem switching rate if it were warranted, the FCC directed state commissions to do two things. First, the FCC directed state commissions to "consider whether new technologies (e.g., fiber ring or wireless network) performed functions similar to those performed by an incumbent LEC's tandem switch and thus whether some or all calls terminating on the new entrant's network should be priced the same as the sum of transport and termination via the incumbent LEC's tandem switch." (Local Competition Order ¶ 1090, emphasis added). Second, the FCC stated that "[w]here the interconnecting carrier's switch serves a geographic area comparable to that served by the incumbent LEC's tandem switch, the appropriate proxy for the interconnecting carrier's additional costs is the LEC tandem interconnection rate." *Id.*

Therefore, the FCC posed two requirements that must be met before a CLEC would be entitled to compensation at both the end office and the tandem switching rate, as opposed to only the end office rate, for any particular local call. The tandem switch involved has to serve a comparable geographic area, and it has to perform the tandem switching function for the local call for which compensation is sought.

BellSouth notes that in Section 51.711(a)(1) of its Rules, the FCC states that "symmetrical rates are rates that a carrier other than an incumbent LEC assesses upon an incumbent LEC for transport and termination of local telecommunications traffic equal to those that the incumbent LEC assesses upon the other carrier for the same services." (emphasis added). Again, in Section 51.711(a)(3), the Rule states that "[w]here the switch of a carrier other than an incumbent LEC serves a geographic area comparable to the area served by the incumbent LEC's tandem switch, the appropriate rate for the carrier other than an incumbent LEC is the incumbent LEC's tandem interconnection rate." The FCC clearly has two requirements that must be met before the tandem rate for transporting and terminating traffic applies.

Q. DOES THE COMMISSION NEED TO DECIDE WHETHER A NEW TECHNOLOGY USED BY AT&T PERFORMS A FUNCTION SIMILAR TO TANDEM SWITCHING?

A. No. The basic network architecture used by AT&T is the same as BellSouth, so the Commission does not need to attempt to determine whether some new technology used by AT&T performs functions similar to tandem switching. The Commission simply needs to determine whether AT&T is actually providing tandem switching on each and every local call. Thus, pursuant to Section 51.711, in order to charge BellSouth the tandem rate, AT&T must show not only that its switches serve a geographic area comparable to BellSouth's tandem switches, but also that AT&T's switches are providing the same services as BellSouth's tandem switches provide for local traffic.

Q. HAS THE FCC DEFINED WHICH FUNCTIONS A TANDEM SWITCH MUST PROVIDE?

A. Indeed it has. In its recently released Order No. FCC 99-238, the FCC's rules at 51.319(c)(3) state:

> *Local Tandem Switching Capability.* The tandem switching capability network element is defined as:
>
> (i) Trunk-connect facilities, which include, but are not limited to, the connection between trunk termination at a cross connect panel and switch trunk card;
>
> (ii) The basic switch trunk function of connecting trunks to trunks; and
>
> (iii) The functions that are centralized in tandem switches (as distinguished from separate end office switches), including but not limited, to call recording, the routing of calls to operator services, and signaling conversion features.

Of course, this definition of tandem switching capability has long been accepted and applied within the telecommunications industry. The introduction of local competition has no effect on the definition of tandem switching capability.

Q. HOW DOES THE FCC'S DEFINITION OF TANDEM SWITCHING APPLY TO THIS ISSUE?

A. To receive reciprocal compensation at the tandem rate, a carrier must be performing the functions described in the FCC's definition of tandem switching. It is not enough that the switch "can" provide the function of a tandem switch; it has to actually be providing those functions for the local call for which compensation is sought. This is true if for no other reason than because the difference between the end office and tandem rates for reciprocal compensation is the same as the UNE rate for tandem switching. That rate recovers the cost of performing, for local calls, the functions described in the FCC's definition. If the CLEC were not performing those functions, the CLEC would simply be receiving a windfall.

AT&T's switches are not providing a tandem function to transport any local calls, let alone all local calls, but are only switching traffic through AT&T's end office switches for delivery of that traffic from those switches to the called party's premises. As stated in the FCC's definition, to provide transport utilizing tandem switching, AT&T's switch must connect trunks terminated in one local end office switch to trunks terminated in another local end office switch. In other words, a tandem switch, as defined by the FCC, provides an intermediate switching function. As AT&T has admitted, its switch is not providing that function. During cross-examination earlier this year in North Carolina Dockets No. P-140, Sub 73 and No. P-646, Sub 7, AT&T witness Mr. David Talbott concurred that "[t]here is not an intermediate switching function within the AT&T network." (Transcript, Vol. 2, August 1, 2000, p. 227, lines 6-9). Further, when asked if AT&T's switch would qualify for the tandem rate

if the North Carolina Commission concludes that an intermediate switching function is required, Mr. Talbott stated "[o]ur switch would not qualify." (Id., p. 227, line 21-p. 228, line 1).

As confirmed by AT&T's own witness, AT&T's switch connects trunks to end user's lines, and does not connect trunks to trunks. In this regard, there is nothing different about AT&T's network design in South Carolina as compared to its network design in North Carolina. The end office rate for transport and termination fully compensates AT&T for the functions its end office switches perform.

Q. PLEASE ADDRESS MR. FOLLENSBEE'S CLAIM THAT THE ONLY RELEVANT CRITERIA FOR DETERMINING ELIGIBILITY FOR TANDEM SWITCHING CHARGES IS THE GEOGRAPHIC AREA SERVED.

A. Mr. Follensbee is incorrect. Various court decisions support BellSouth's contention that the FCC's to determine if a carrier is eligible for tandem switching is a two-part test: 1) a CLEC's switch must serve a geographic area comparable to the geographic area served by the ILEC's tandem switch, and 2) a CLEC's switch must perform tandem switching functions for local traffic. Indeed, this is not just BellSouth's view. In a case involving MCI (MCI Telecommunication Corp. v. Illinois Bell Telephone, 1999 U.S. Dist. LEXIS 11418 (N.D. Ill. June 22, 1999)), the U.S. District Court specifically determined that the test required by the FCC's rule is a functionality/geography

test. In its Order, the Court stated:

> In deciding whether MCI was entitled to the tandem interconnection rate, the ICC applied a test promulgated by the FCC to determine whether MCI's single switch in Bensonville, Illinois, performed functions similar to, and served a geographical area comparable with, an Ameritech tandem switch.[9] (emphasis added).
>
> [9]MCI contends the Supreme Court's decision in IUB affects resolution of the tandem interconnection rate dispute. It does not. IUB upheld the FCC's pricing regulations, including the 'functionality/geography' test. 119 S. Ct. at 733. MCI admits that the ICC used this test. (Pl. Br. At 24.) Nevertheless, in its supplemental brief, MCI recharacterizes its attack on the ICC decision, contending the ICC applied the wrong test. (Pl. Supp. Br. At 7-8.) But there is no real dispute that the ICC applied the functionality/geography test; the dispute centers around whether the ICC reached the proper conclusion under that test. (emphasis added).

Indeed, the Ninth Circuit Court of Appeals viewed the rule in the same way, finding that:

> [t]he Commission properly considered whether MFS's switch performs similar functions and serves a geographic area comparable to US West's tandem switch." (U.S. West Communications v. MFS Intelenet, Inc, et. al, 193 F. 3d 1112, 1124).

Furthermore, in evaluating whether a CLEC should receive the same reciprocal compensation rate as would be the case if traffic were transported and terminated via the incumbent's tandem switch, the United States District Court in Minnesota ruled that, "it is appropriate to look at both the function and geographic scope of the switch at issue" *(U.S. West Communications, Inc. v. Minnesota Public Utilities Commission,* 55 F. Supp. 2d 968, 977 (D. Minn. 1999), emphasis added).

Q. PLEASE ADDRESS MR. FOLLENSBEE'S CONTENTION THAT AT&T'S SWITCHES PERFORM TANDEM FUNCTIONS.

A. His contention is irrelevant, and the implication contradicts Mr. Talbott's assertion that I discussed earlier. While contending that FCC rules ignore tandem functionality as it relates to this issue, Mr. Follensbee claims that AT&T's switches, do, in fact, perform "certain tandem functions." On page 39 of his testimony, Mr. Follensbee states that each of AT&T's switches "acts as an access tandem routing the preponderance of interLATA traffic directly to the applicable interexchange carrier." BellSouth doesn't take issue with that statement. However, it is wholly irrelevant to the issue at hand. The fact that AT&T's switches perform as tandems for interLATA service is simply not relevant to this issue – reciprocal compensation at the tandem switching rate is due only when tandem switching functions are performed for local traffic. Therefore, to qualify for reciprocal compensation at the tandem rate, the switch must be performing the tandem switching functions to transport local calls.

Further, on page 39, Mr. Follensbee addresses the traffic at issue when he explains that "with respect to traffic between any AT&T customer and any BellSouth customer within the same LATA, AT&T has direct trunking to each BellSouth tandem in the LATA so that such traffic may be completed without transiting multiple AT&T switches or multiple BellSouth tandems." (emphasis added). Here, Mr. Follensbee simply demonstrates that BellSouth's tandem switch performs the tandem function for such local traffic – AT&T's switch is functioning only as an end office switch. In fact, this statement further confirms that AT&T is not performing a tandem function. Mr. Follensbee's description indicates that calls from BellSouth local customers to AT&T local customers are delivered directly to the switch serving the AT&T customer. Indeed, as evidenced by Mr. Follensbee's testimony, there is no intermediate switch on AT&T's network for local calls, so AT&T can't be incurring tandem switching costs.

Q. DO YOU AGREE WITH MR. FOLLENSBEE'S CONTENTION THAT AT&T'S SWITCHES PERFORM THE "AGGREGATION" FUNCTION TYPICAL OF TANDEM SWITCHES?

A. No. As I explained in my direct testimony, local tandem switches are used to aggregate traffic from numerous end office switches in a local calling area when it is more economical to route local traffic in that manner than to install direct trunk groups between each and every end office switch. When there are a lot of end office switches in a local calling area, using a local tandem switch

to aggregate traffic and to act as a central connection point makes economic sense and avoids a lot of extra trunking that would otherwise be required to ensure that call blockage was limited to acceptable levels.

BellSouth's local network generally consists of local tandem switches, end office switches and interoffice transport. However, AT&T's local network generally consists of a single switch and long loops connecting the switch to AT&T's subscribers.

When BellSouth routes a local call from a CLEC such as AT&T through one of BellSouth's tandems, BellSouth completes the call by first switching the call at the tandem, transporting the call to the appropriate local end office and then switching the call to the called party. BellSouth then charges AT&T reciprocal compensation based on the appropriate tandem switching rate, transport rate and local switching rate, since all of these parts of BellSouth's network were used in transporting and terminating the call.

On the other hand, when BellSouth hands off one of its local calls to AT&T, AT&T carries the call back to its end office switch, where the call is switched once and then placed on the appropriate loop to reach the intended recipient of the call. That is, because of AT&T's network design, the call is only switched once, and there are no interoffice transport facilities involved. Again, according to Mr. Follensbee, AT&T has chosen this design because it is cheaper for it to build long loops rather than to build switches.

Nevertheless, and in spite of the fact that only one switch is involved, AT&T wants BellSouth to pay reciprocal compensation to AT&T for calls placed from BellSouth's local subscribers to AT&T's local subscribers at a rate equal to the total of the tandem switching rate and the end office switching rate for every such call AT&T handles. Indeed, AT&T's position that it is entitled to reciprocal compensation from BellSouth at the tandem switching rate for every local call it terminates from BellSouth is simply nonsensical.

For example, consider an AT&T end office switch in Columbia that is connected directly to a BellSouth end office also located in Columbia. When an AT&T end user originates a local call in Columbia that is routed directly to BellSouth's end office switch in Columbia, BellSouth will bill AT&T reciprocal compensation at the end office switching rate because that is the only portion of BellSouth's network that was used to terminate the local call. However, AT&T's position is that, in this example, if the local call originates from the same BellSouth end user and terminates to the same AT&T end user, AT&T is due reciprocal compensation from BellSouth at the tandem switching rate (again, the sum of the end office switching rate and the tandem switching rate). The exact same end users are involved in both calls, the same switches are used in both calls, yet AT&T's position results in one call generating reciprocal compensation at the end office switching rate, while the other call generates reciprocal compensation at the higher tandem switching rate. A position that leads to such an illogical conclusion simply cannot be right.

Q. PLEASE RESPOND TO AT&T's CLAIM THAT ITS SWITCHES COVER A

GEOGRAPHIC AREA COMPARABLE TO THE AREA COVERED BY BELLSOUTH'S TANDEMS.

A. Mr. Föllensbee has provided maps indicating the geographic area AT&T's switches "cover." Of course, it is a very simple matter to color in areas on a map and to claim that these areas are "covered" by switches. However, in order to establish that AT&T's switches actually serve a geographic area comparable to that served by the incumbent local exchange carrier's tandem switches, AT&T must show the particular geographic area it serves, not the geographic area that its switches can serve. (See 47 C.F.R. § 51.711(a)(3)). In order to make a showing that AT&T's switches serve a geographic area equal to or greater than that served by BellSouth's tandem switches, AT&T must provide information showing the location of its customers and give some indication as to how its customers are actually being served by AT&T's switches. (MCI Telecommunications Corp. v. Illinois Bell Telephone, 1999 U.S. Dist. LEXIS 11418 (N.D. Ill. June 22, 1999)).

To illustrate the importance of this point, assume AT&T has one thousand customers in downtown Columbia, all of which are located in a single office complex next door to AT&T's Columbia switch. Under no set of circumstances could AT&T seriously argue that, in such a case, its switch serves a comparable geographic area to BellSouth's tandem switch. See Decision 99-09-069, In re: Petition of Pacific Bell for Arbitration of an Interconnection Agreement with MFS/WorldCom, Application 99-03-047, 9/16/99, at 15-16 (finding "unpersuasive" MFS's showing that its switch

served a comparable geographic area when many of MFS's ISP customers were actually collocated with MFS's switch).

AT&T has offered no information to the Commission to demonstrate that its switches currently serve areas comparable to BellSouth's tandem. AT&T has not provided the Commission with the location of its customers in South Carolina, information that would be essential for the Commission to determine whether AT&T's switches actually serve areas comparable to BellSouth's tandem switches. Absent such evidence, AT&T has clearly failed to satisfy its burden of proof on this issue.

Q. WHAT DOES BELLSOUTH REQUEST THE COMMISSION DO?

A. Importantly, BellSouth is not disputing AT&T's right to compensation at the tandem rate where the facts support such a conclusion. However, in this proceeding, AT&T is seeking a decision that allows it to be compensated for the cost of equipment it does not own and for functionality it does not provide. Absent real evidence that AT&T's switches actually serve a geographic area comparable to BellSouth's tandems, and absent evidence that AT&T's switches actually perform tandem switching functions for local traffic, BellSouth requests that this Commission determine that AT&T is only entitled, where it provides local switching, to the end office switching rate.

Issue 13: What is the appropriate treatment of outbound voice calls over internet protocol ("IP") telephony, as it pertains to reciprocal compensation? (Local

Interconnection, Attachment 3)

Q. WHAT IS BELLSOUTH REQUESTING THE COMMISSION DO IN REGARD TO THIS ISSUE?

A. Since the Commission has established a generic docket to address the treatment of traffic that utilizes IP Telephony technology (Docket No. 98-651-C), BellSouth urges the Commission to defer any decision regarding this issue to that generic docket.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

#239184

2.11 **Special Access Service Conversions**

2.11.1 AT&T may not convert special access services to combinations of loop and transport network elements, whether or not AT&T self-provides its entrance facilities (or obtains entrance facilities from a third party), unless AT&T uses the combination to provide a significant amount of local exchange service, in addition to exchange access service, to a particular customer. To the extent AT&T requests to convert any special access services to combinations of loop and transport network elements at UNE prices, AT&T shall provide to BellSouth a letter certifying that AT&T is providing a significant amount of local exchange service (as described in this Section) over such combinations. The certification letter shall also indicate under what local usage option AT&T seeks to qualify for conversion of special access circuits AT&T shall be deemed to be providing a significant amount of local exchange service over such combinations if one of the following options is met:

2.11.2 AT&T certifies that it is the exclusive provider of an end user's local exchange service. The loop-transport combinations must terminate at AT&T's collocation arrangement in at least one BellSouth central office. This option does not allow loop-transport combinations to be connected to BellSouth's tariffed services. Under this option, AT&T is the end user's only local service provider, and thus, is providing more than a significant amount of local exchange service. AT&T can then use the loop-transport combinations that serve the end user to carry any type of traffic, including using them to carry 100 percent interstate access traffic; or

2.11.3 AT&T certifies that it provides local exchange and exchange access service to the end user customer's premises and handles at least one third of the end user customer's local traffic measured as a percent of total end user customer local dialtone lines; and for DS1 circuits and above, at least 50 percent of the activated channels on the loop portion of the loop-transport combination have at least 5 percent local voice traffic individually, and the entire loop facility has at least 10 percent local voice traffic. When a loop-transport combination includes multiplexing, each of the individual DS1 circuits must meet this criteria. The loop-transport combination must terminate at AT&T's collocation arrangement in at least one BellSouth central office. This option does not allow loop-transport combinations to be connected to BellSouth tariffed services; or

2.11.4 The requesting carrier certifies that at least 50 percent of the

activated channels on a circuit are used to provide originating and terminating local dialtone service and at least 50 percent of the traffic on each of these local dialtone channels is local voice traffic, and that the entire loop facility has at least 33 percent local voice traffic. When a loop-transport combination includes multiplexing, each of the individual DS1 circuits must meet this criteria. This option does not allow loop-transport combinations to be connected to BellSouth's tariffed services. Under this option, collocation is not required. AT&T does not need to provide a defined portion of the end user's local service, but the active channels on any loop-transport combination, and the entire facility, must carry the amount of local exchange traffic specified in this option.

2.11.5 In addition, there may be extraordinary circumstances where AT&T is providing a significant amount of local exchange service, but does not qualify under any of the three options set forth in Section 2.11.1. In such case, AT&T may petition the FCC for a waiver of the local usage options set forth in the June 2, 2000 Order. If a waiver is granted, then upon AT&T's request the Parties shall amend this Agreement to the extent necessary to incorporate the terms of such waiver for such extraordinary circumstance.

2.11.6 BellSouth may at its sole discretion audit AT&T records in order to verify the type of traffic being transmitted over combinations of loop and transport network elements. The audit shall be conducted by a third party independent auditor, and AT&T shall be given thirty days written notice of scheduled audit. Such audit shall occur no more than one time in a calendar year, unless results of an audit find noncompliance with the significant amount of local exchange service requirement. In the event of noncompliance, AT&T shall reimburse BellSouth for the cost of the audit. If, based on its audits, BellSouth concludes that AT&T is not providing a significant amount of local exchange traffic over the combinations of loop and transport network elements, BellSouth may file a complaint with the appropriate Commission, pursuant to the dispute resolution process as set forth in the Interconnection Agreement. In the event that BellSouth prevails, BellSouth may convert such combinations of loop and transport network elements to special access services and may seek appropriate retroactive reimbursement from AT&T.

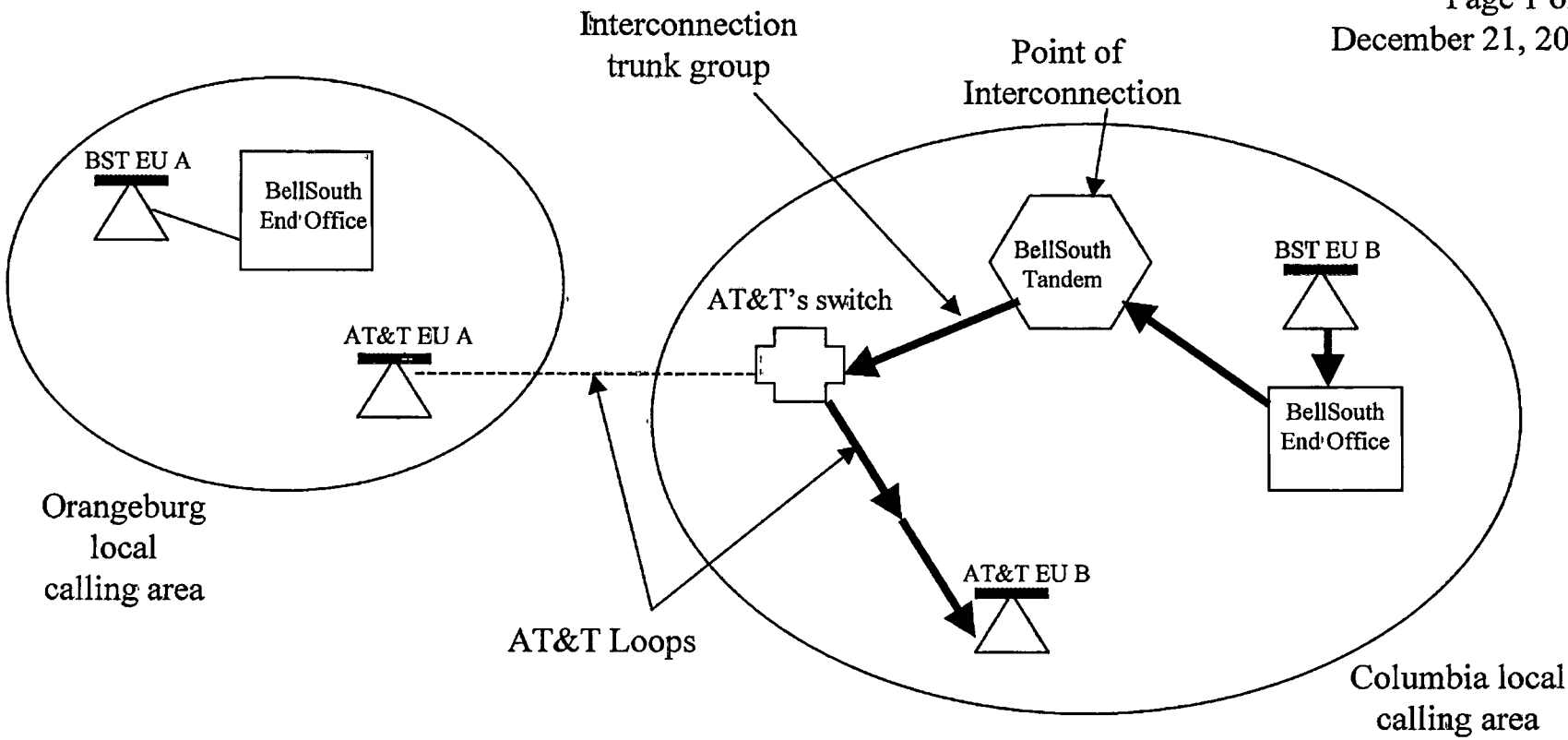
2.11.7 Conversions are subject to the termination provisions in the applicable contracts or tariffs.

2.11.8 When combinations of loop and transport network elements include multiplexing, each of the individual DS1 circuits must meet the above criteria.

2.11.9 Conversion of Service As Is

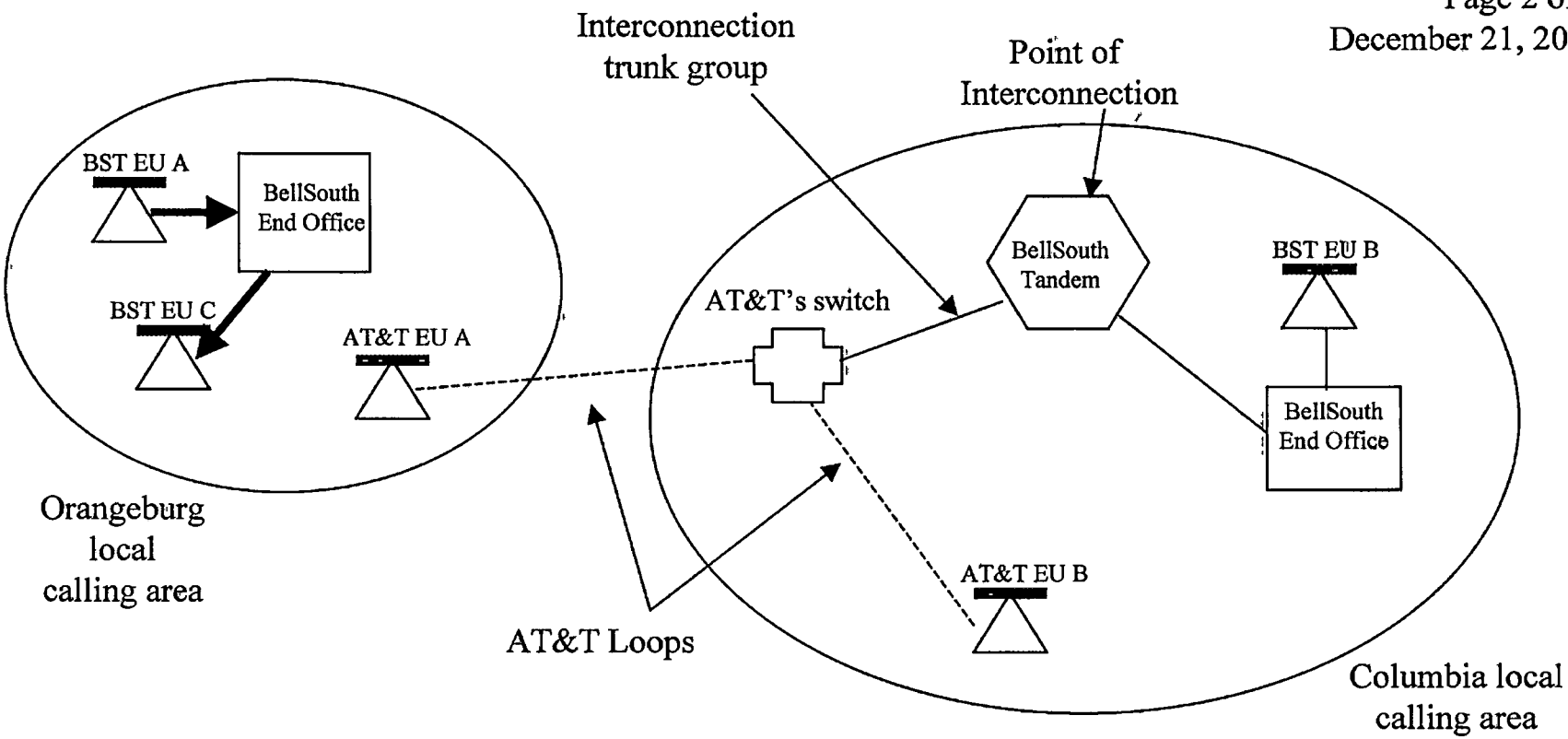
2.11.9.1 AT&T may request conversion of existing retail services to non-switched combinations of unbundled network elements by submitting an LSR or a conversion spreadsheet, provided by BellSouth, to the LCSC for record changes. For the conversion of retail services to switched combinations, AT&T may request such conversions on a single LSR for all services billed under the same Account Telephone Number or master billing account. AT&T may consolidate onto a single LSR, up to four end user accounts to a single Account Telephone Number where the accounts are for the same end user and are the same service type and end user location. BellSouth will project manage conversions of fifteen (15) or more lines.

Local Call from Columbia BST EU to Columbia AT&T EU



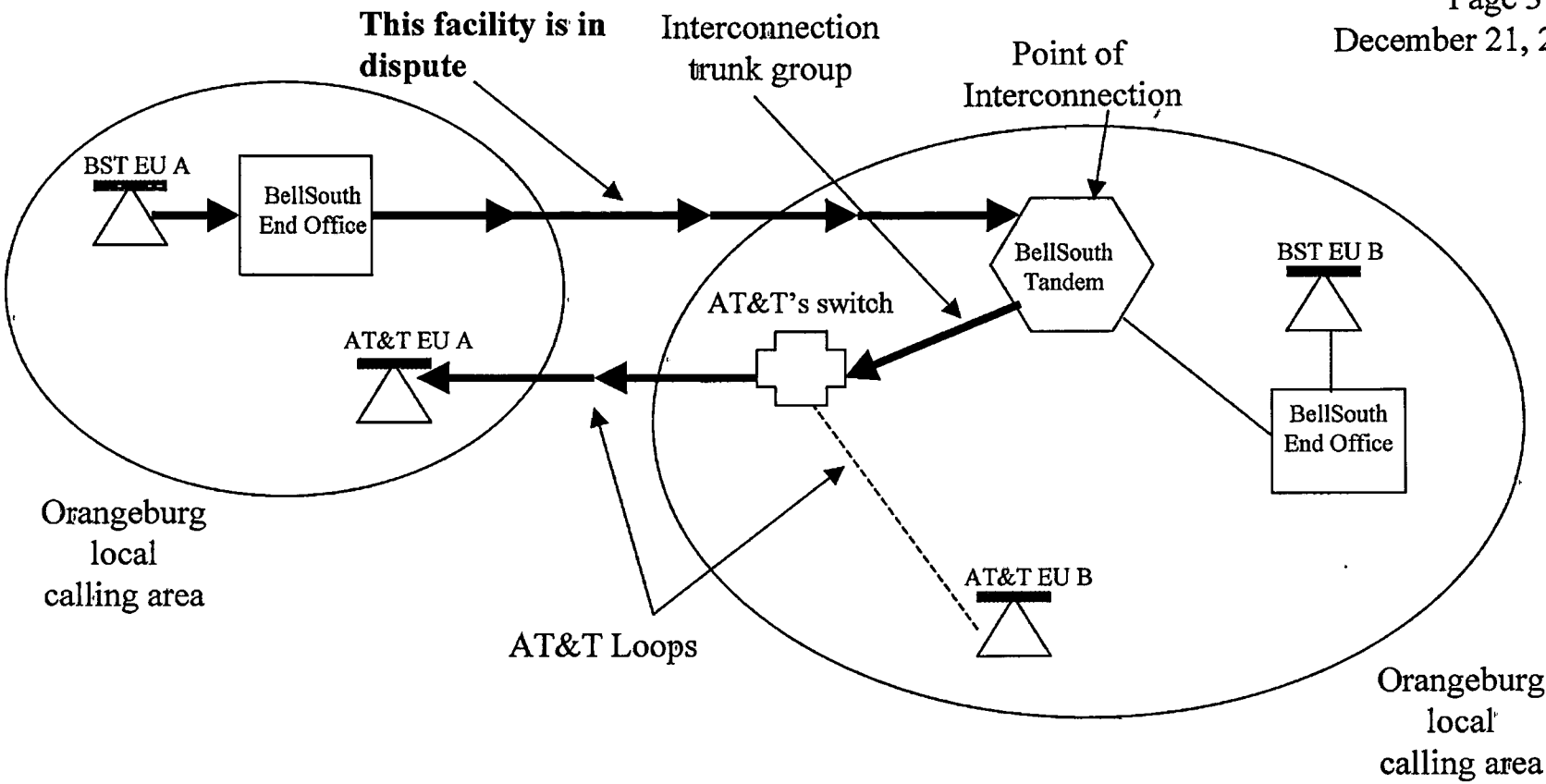
#239186

Local Call from Orangeburg BST EU to Orangeburg BST EU



#239186

Local Call from Orangeburg BST EU to Orangeburg AT&T EU



#239186

STATE OF SOUTH CAROLINA)
) CERTIFICATE OF SERVICE
COUNTY OF RICHLAND)

PERSONALLY APPEARED before me, Jeanette B. Mattison, who, being duly sworn, deposes and says that she is employed by the Legal Department for BellSouth Telecommunications, Inc. and that she has caused the Direct Testimony of John A. Ruscilli on behalf of BellSouth Telecommunications, Inc. in connection with Docket No. 2000-527-C to be served this December 21, 2000 by the method indicated below each addressee listed:

Gene Coker
AT&T Communications of the Southern States, Inc.
1200 Peachtree Street
Suite 8100
Atlanta, Georgia 30309
(Via Electronic & U. S. Mail)

Florence P. Belser, Esquire
Staff Attorney
Public Service Commission of SC
Post Office Drawer 11649
Columbia, South Carolina 29211
(Via Hand Delivery)

Francis P. Mood, Esquire
Steve A. Matthews, Esquire
Sinkler & Boyd
1426 Main Street, Suite 1200
Columbia, South Carolina 29211
(Via Hand Delivery)

Jeanette B. Mattison